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ACQUISITIONS

REVIEW OF TREATMENT RECORDS DOCUMENTING  
MEDICAID BILLINGS AT OFFICE OF MENTAL HEALTH  
OUTPATIENT FACILITIES IN NEW YORK CITY

AUDIT REPORT NY-ST-5-79

Office of the State Comptroller  
Division of Audits and Accounts  
Report Filed: July 24, 1979

69014

F.W.A.

## MANAGERIAL SUMMARY

### Background

The Office of Mental Health (OMH) is entitled to Medicaid reimbursement for treatment provided eligible outpatients at their clinics. Since 1974, OMH has been billing the New York City Department of Social Services (NYCDSS), a unit of the City's Human Resources Administration (HRA), for the full cost of outpatient treatment provided to New York City's Medicaid-eligible clients. NYCDSS was to recover 50 percent from the Federal government and 25 percent from the State (25 percent was the City's cost). However, audits performed by the HRA found that only 9 percent of the bills submitted from September 1974 to September 1975 and 29 percent of bills submitted from October 1975 to August 1976 were documented in the outpatient clinic records. Therefore, only these small percentages were considered valid claims. As a result, New York City paid the State only \$1.4 million of the \$6.1 million in processible Medicaid claims submitted to them for the two-year period. (Additionally, NYCDSS reportedly misplaced \$1.5 million in OMH claims and eliminated \$3.9 million in claims for the period due to OMH reporting incorrect Medicaid numbers, incorrect names, etc. OMH officials are currently negotiating with NYCDSS concerning the resubmission of the nonprocessable claims, subject to the validity rates determined by the NYCDSS audits.)

We reviewed 242 bills randomly selected from OMH's February 1978 billings to the NYCDSS to determine if they were valid according to both the NYCDSS standards and clinical guidelines established by OMH. The five psychiatric centers involved in our review—Bronx, Creedmoor, Kingsboro, Manhattan and South Beach—were treating 11,600 outpatients in February 1978.

### Major Observations and Recommendations

Using NYCDSS criteria for adequate medical record support, we found that 78.5 percent of the February 1978 claims submitted by OMH to the NYCDSS were invalid: e.g., only 21.5 percent were valid. Projecting the results of our sample, we determined that only \$76,600 of the total of \$351,000 billed by OMH that month was payable by New York City. If this high percentage of invalid claims continued throughout 1978, we estimated that the State could lose over \$2.5 million in Federal and New York City (Medicaid) reimbursements.

Additionally, we could not find evidence of billings to Medicaid for about 22 percent of the services the clinics recorded in eligible clients' medical records as being provided on specific dates in February 1978. Based on this data, the State could be losing about \$900,000 in additional Medicaid reimbursement annually. (This would become largely academic if only 21.5 percent of these claims when submitted are determined to be valid because of the absence of treatment plans, physician supervision, etc.)

OMH must immediately begin a program to bring the outpatient medical records into conformity with NYCDSS standards, as well as their own, in order to assure both the highest quality of outpatient care and to prevent the loss of a significant amount of Medicaid funds. Unfortunately, the State already has lost \$4.7 million (less its 25 percent share of these costs) for the two years ended August 31, 1976. Despite the fact that these inadequacies in the records were reported to OMH on numerous occasions since 1977, there has been very little progress in improving them to date. Apparently, OMH has given a low priority to this important problem of Medicaid reimbursement.

1. Requirements for Valid Bills

According to NYCDSS officials, for an outpatient service to be valid for Medicaid reimbursement, the client must have received a billable treatment on the date claimed, that an adequate treatment plan existed for the client and that there was evidence that a physician supervised the client's treatment. We found that 62.4 percent of the records sampled lacked documentation of the treatment, 14 percent lacked a treatment plan and 45 percent lacked a physician's notes or review.

2. Other Treatment Documentation

In addition, other standards necessary for the client's proper treatment were found lacking (although not necessary for a valid bill). There were no admission notes in 28 percent of the files tested, 40 percent lacked a mental status exam; and of the files containing a treatment plan, 10 percent lacked a statement of the conditions and problems to be treated, 30 percent lacked short-range goals, 30 percent did not have long-range goals and 14 percent lacked either the activities to be undertaken to accomplish the goals, or the staff member responsible for carrying out the plan.

\* \* \* \*

As of June 12, 1979, OMH had not officially replied to our draft report issued February 8, 1979. The issues which are the subject of the report, as well as its methodology, projections, accuracy and interpretation were both formally and informally discussed with OMH officials on numerous occasions during the above period. However, OMH officials were still in disagreement with the report at the time of this writing. Since we believe the report accurately presents a condition which has caused a continuing and substantial revenue leakage for the State, and that the observations made are not new (having been pointed out to OMH on numerous other occasions), we are issuing this report without OMH's official reply to bring attention to and encourage the kind of actions needed to correct the deficiencies reported.

Officials of the New York State Department of Social Services fully agreed with the report conclusions and stated that, ". . . we trust that OMH has already taken adequate steps to correct the shortcomings disclosed by your auditors."

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REVIEW OF TREATMENT RECORDS DOCUMENTING MEDICAID BILLINGS  
AT OFFICE OF MENTAL HEALTH OUTPATIENT FACILITIES  
IN NEW YORK CITY

A. Introduction

1. Scope of Audit

We reviewed the outpatient treatment records at five Office of Mental Health (OMH) operated psychiatric centers in New York City (i.e., Bronx, Creedmoor, Kingsboro, Manhattan and South Beach Psychiatric Centers) to determine if they contained sufficient documentation to support the resulting Medicaid billings. Our review included 242 case records selected on a random sample basis from the February 1978 billing to the New York City Department of Social Services (NYCDSS) by OMH's Bureau of Patient Resources (Bureau) for outpatient clinic visits (see Exhibit A).

Our examination was made in accordance with NYCDSS outpatient record validation criteria, together with the clinical record guidelines established in OMH's Standards for Psychiatric Outpatient Case Records (OMH Standards) as well as its Policy and Procedure Manual for Psychiatric Outpatient Case Records (OMH Manual).

The audit was performed pursuant to the State Comptroller's audit responsibilities as set forth in Section 1, Article V of the State Constitution and Section 8, Article 2 of the State Finance Law.

2. Background

OMH provided outpatient treatment for clients not ill enough to require admittance to a psychiatric center. Under provisions of Title XIX of the Federal Social Security Act, OMH is entitled to financial aid through the Medical Assistance Program (Medicaid) for treatment provided eligible outpatients at their clinics. Beginning September 1974, the Bureau began billing each local social service district for the full cost of outpatient treatment provided to their Medicaid-eligible clients. The districts then were to recover 50 percent from the Federal government and 25 percent from the State (25 percent was the district's cost).

Between September 1974 and August 1976, OMH submitted \$11.5 million in Medicaid claims to NYCDSS for outpatient services. About \$1.5 million of the claims were reportedly misplaced by NYCDSS, and another \$3.9 million were eliminated from the bills due to incorrect information (e.g., incorrect Medicaid numbers, incorrect names, etc.). The remaining bills (i.e., processible claims) were audited by NYCDSS with the following results:

<u>Period</u>	<u>Percentage Validated</u>
9/74 - 9/75	9%
10/75 - 8/76	29%

As a result of these audits, New York City paid the State only \$1.4 million of the \$6.1 million in processible claims submitted to them for the above two-year period. (OMH officials are currently negotiating with NYCDSS concerning the resubmission of the nonprocessable claims, subject to the validity rates determined by the NYCDSS audits.)

The five psychiatric centers involved in our review were:

<u>Center</u>	<u>Outpatient Population</u>
Creedmoor	3,900
South Beach	2,600
Manhattan	2,000
Kingsboro	1,900
Bronx	1,200
Total	<u>11,600</u>

Responsible officials at these Centers during our review were:

Dr. Hugh Butts*	Director, Bronx Psychiatric Center
Dr. William Werner**	Director, Creedmoor Psychiatric Center
Dr. Morton Wallach	Director, Kingsboro Psychiatric Center
Dr. Gabriel Koz	Director, Manhattan Psychiatric Center
Dr. Arnold Winston***	Director, South Beach Psychiatric Center

\*Dr Butts was replaced by Dr. Pedro Ruiz in April 1979.

\*\*Dr. Werner died in September 1978 and was replaced by Dr. Yoosuf Haveliwala.

\*\*\*Dr. Winston resigned in July 1978 and was replaced by Dr. Manual Trujillo.

### 3. Comments and Reports of Agency Officials

Draft copies of this report were provided to officials of the Office of Mental Health and the State Department of Social Services on February 8, 1979. In accordance with Chapter 218 of the Laws of 1977, OMH was required to respond within 30 days. As of June 12, 1979, OMH had not officially replied to the draft report. The issues contained in the report, as well as its methodology, projections, accuracy and interpretation were formally and informally discussed with OMH

officials on numerous occasions (see Appendix A). OMH officials, however, continued to be in disagreement with the report. Since we believe the report accurately points out problems which OMH has been aware of for years, yet has not corrected, we are not waiting any longer for a formal reply. Regardless of a reply, immediate corrective action is needed, and we have seen no measurable progress in that direction, either on prospective billings or, retroactively, to recover for previously deficient billings or nonbillings.

Comments received from the New York State Department of Social Services are included in Appendix B.

Within 90 days after the release of the final report, as provided by Chapter 218 of the Laws of 1977, the head of the Office of Mental Health shall report to the Governor, the State Comptroller and leaders of the Legislature and fiscal committees advising what steps were taken to (1) implement the recommendations contained herein and (2) where recommendations were not implemented, the reasons therefor.

*Office of the State Comptroller  
Division of Audits and Accounts*

Report Filed: July 24, 1979

EDWARD V. REGAN  
STATE COMPTROLLER



B. Outpatient Case Records

An important factor in assuring the highest quality of outpatient care, as well as making it possible for OMH to collect a significant amount of money by billing for outpatient services through Medicaid, is the maintenance of a complete case record for each client who participates in a psychiatric outpatient treatment program.

In order for an outpatient service to be valid for medicaid reimbursement, according to NYCDSS officials, it must be determined that the client received a billable treatment on the date claimed, that an adequate treatment plan existed for the client and that there was evidence that a physician supervised the client's treatment.

We reviewed 242 cases (i.e., bills), randomly selected from the OMH February 1978 billing to the NYCDSS, and found that only 52 (21.5 percent) meet all three of the above requirements and therefore would probably be allowable claims if reviewed by NYCDSS. A breakdown of the valid cases follows:

<u>Facility</u>	<u>Cases Sampled</u>	<u>Valid Cases*</u>	<u>Percentage Valid</u>
Bronx	57	5	8.8%
Creedmoor	94	16	17.0
South Beach	48	14	29.2
Kingsboro	28	10	35.7
Manhattan	<u>15</u>	<u>7</u>	46.7
	<u>242</u>	<u>52</u>	<u>21.5%</u>

\*A more detailed breakdown of invalid cases is included in Exhibit A.

Projecting the results of our sample to all February 1978 billings, we determined that only \$76,613 of the total \$351,045 billed, was valid. Assuming that the percentage of valid claims remains the same, the State could lose over \$2.5 million in Federal and NYC Medicaid reimbursement during 1978. (In a spot check of January 1979 records we found no overall change in the number of valid claims.)

1. Requirements for Valid Bills

a. Treatment Received (Progress Notes)

The first requirement for a valid bill is a record of the client's attendance and participation in the program. This is to be included, according to NYCDSS criteria, in a clinical chart entry matching the service date and type of service specified in the claim (e.g., a progress note) for each visit to a clinic treatment program or each five visits to a day treatment program. Our review of the 242 sampled records showed that 151 (62.4 percent) lacked documentation that the client received treatment on the date claimed (see Exhibit A).

This problem was most prevalent at the private proprietary home clinics (i.e., adult homes) in the Creedmoor and South Beach Psychiatric Centers' catchment areas. All 56 cases selected for review at six adult homes (Elmhurst Manor, Whitman Home, Queens Manor, Leben House, Bayview Manor and Klines Forest Manor) did not contain progress notes for the dates under review. The staff at these homes stated that they were not aware that the services they provided were billable and therefore they felt it was not necessary to note all visits. They added that staff shortages also prevented their writing as many notes as they felt were necessary.

b. Treatment Plans

The second NYCDSS requirement for an acceptable service is that an individualized comprehensive treatment plan be prepared for the client at some time prior to the specific treatment. Our review of the 242 cases showed that 34 (14 percent) lacked such a plan, 28 of which were for clients of Bronx and Creedmoor clinics. (Our review and discussion of treatment plan components is covered in subsection 2c.)

c. Supervision of Treatment

The final NYCDSS requirement for an acceptable outpatient service is supervision of the case by a physician. For 109 of the 242 cases sampled (45 percent) we did not find any supervisory notes or other evidence of review by a physician. Creedmoor had the highest incidence of this deficiency (67 percent of sampled records).

(In January 1979, prior to the issuance of our draft report, we spot checked at one Creedmoor and one Bronx clinic—those clinics where the most incomplete records were found during our audit—as well as at a Creedmoor adult home. We found that the records at the Creedmoor clinic had improved, while those at the Bronx had not. Also, the adult home was no longer recording clinic services they provided. This was a new Center policy. Adult home clinic services had made up over half of Creedmoor's billable services at the time of our review. No longer recording such services appears to be a costly method of correcting the record keeping problem we found at the adult homes.)

2. Other Treatment Documentation

We also reviewed the 242 sampled cases for other attributes considered necessary for a client's proper treatment according to OMH's Standards and Manual. We found similar levels of deficiencies in these areas.

a. Admission Note

According to the OMH Manual, on the day of admission for outpatient services, information should be obtained from the client concerning his complaints and problems, family situation, living arrangements, financial resources, and physical condition, and incorporated into an admission note. This note was to be used by the staff to outline the treatment plan. We found that there was no admission note for 68 of the 242 records reviewed (28.1 percent), 48 of whom were Creedmoor clients (see Exhibit B).

b. Evaluation of the Client

According to the OMH Manual, a client must be evaluated by a physician or by a multidisciplinary treatment team which must include a physician. The evaluation was to include the client's history, family history and results of a mental status examination. While most of our sampled cases had the client's and his family's history (86 percent), almost 38 percent lacked a mental status examination (see Exhibit B).

c. Treatment Plan Components

Although we found that 208 of the sampled cases had a treatment plan, many were incomplete, lacking important components (see Exhibit C), some of which were:

**Client's Problems:** For a treatment plan to be useful, it is necessary that it includes a statement of the conditions and problems which are to be treated. We found that 20 plans lacked such a statement.

**Short and Long-Range Goals:** The OMH Manual requires that there be, ". . . measurable short-range goals stated in detail to serve as criteria for progress after an appropriately short interval," and ". . . long-range goals of all combined treatment. . . ." We found almost 30 percent of the plans lacked short-range goals; a similar amount lacked long-range goals.

**Treatment Activities and Participating Staff:** The treatment plans are required to include the treatment and rehabilitation activities to be undertaken in order to accomplish the short-range goals. The name of each staff member responsible for carrying out each activity is also to be in the plans. About 14 percent of the plans lacked both these components.

Recommendations

1. The Office of Mental Health must immediately undertake a program to educate the staffs at all outpatient clinics concerning the necessity for complete medical records and procedures for implementing the OMH Standards and Manual. Each Center should appoint an individual (or individuals) to be responsible for implementing these procedures.
2. The records for the periods not yet audited by NYCDSS should be reviewed by Center staff and completed where necessary.
3. OMH's Bureau of Management Audit should undertake periodic audits of the treatment records to assure progress in compliance.
4. Clinic staffs at Creedmoor's and South Beach's adult homes should be made aware of the importance of complete progress notes for their clients. Creedmoor should again record clinic services provided their adult home clients.

(In our various discussions with OMH officials we were informed that they were negotiating with NYCDSS regarding the audit criteria to be applied to past and future audits. The State Department of Social Services, according to OMH officials, now considers the 111A form acceptable documentation that a service was provided, when viewed in conjunction with the treatment plan and periodic progress notes. However, this would require that the clinics place a copy of the form in each client's record—the form is a record of all services rendered by a provider on a single day to more than 20 clients. Should NYCDSS accept the new criteria, OMH would have a massive job getting the past records in order, as well as all future billings, since they do not currently meet these new guidelines. Unless OMH impresses upon the staff at the clinics the importance of these criteria, the situation (i.e., inadequate documentation) will continue.)

C. Service Dates Not Billed

In addition to our audit of the 242 Medicaid claims submitted to NYCDSS in February 1978, and at the request of the Bureau of the Budget, we also recorded all other clinic visits made during February 1978 by these clients (based on entries in their clinical charts) to determine whether NYCDSS was being properly billed for them. We determined that only 285 of the 366 recorded February clinic visits (78 percent\*) were billed as of the April 1978 billing (most services are billed within two months of their incidence), as follows:

<u>Facility</u>	<u>February Visits in Sample</u>	<u>Other Visits</u>	<u>Visits Billed For</u>	<u>Visits Not Billed For</u>
South Beach	-0-	104	81	23
Bronx	7	78	74	11
Creedmoor	25	68	74	19
Kingsboro	11	37	35	13
Manhattan	<u>-0-</u>	<u>36</u>	<u>21</u>	<u>15</u>
Total	<u>43</u>	<u>323</u>	<u>285</u>	<u>81</u>

Assuming that proper billings for these visits are not submitted at a future date and that a similar percentage of such bills is not submitted each month, we estimated that the State could be losing about \$900,000 annually in additional Federal and New York City Medicaid reimbursement (further assuming all are validated by NYCDSS). We consider this conservative since February is a short month and the heavy snowfall in February 1978 may have curtailed visits. We also believe these haphazard records are indicative of previous shortcomings in billing for all services rendered, probably going back to the 1974 initiation of the program.

Recommendations

1. Office of Mental Health's Bureau of Management Audit should determine the reason for the numerous instances of services not billed.
2. Records for at least the last two years should be reviewed and bills processed where appropriate.

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\*These results were based on a reaudit of the data provided in our draft report. The resulting change from 71 percent (in the draft report) to 78 percent, reflected above, was insignificant and did not change the overall audit conclusions.

EXHIBIT A

Review of Outpatient Records  
Summary of Invalid Records\*

<u>Facility (Records Reviewed)</u>	<u>Records with Missing Requirement</u>		
	<u>Attendance Record</u>	<u>Treatment Plan</u>	<u>Physician Supervision</u>
Bronx (57)	48	12	19
Creedmoor (94)	59	16	63
Kingsboro (28)	16	--	5
Manhattan (15)	7	5	1
South Beach (48)	<u>21</u>	<u>1</u>	<u>21</u>
Totals (242)	<u>151</u>	<u>34</u>	<u>109</u>
Percent	<u>100%</u>	<u>62.4%</u>	<u>45.0%</u>

\*Based on review of a sample of February 1978 billings.

EXHIBIT B

Review of Outpatient Records  
Summary of Other Record Shortcomings\*

Facility (Records Reviewed)	Records Missing Component		Mental Status Examination
	Admission Note	Client/Family History	
Bronx (57)	7	2	19
Creedmoor (94)	48	29	48
Kingsboro (28)	6	3	10
Manhattan (15)	2	-0-	7
South Beach (48)	5	-0-	7
Totals	<u>68</u>	<u>34</u>	<u>91</u>
Percent	<u>28.1%</u>	<u>14.0%</u>	<u>37.6%</u>

\*Based on review of a sample of February 1978 billings.

EXHIBIT C

Review of Outpatient Records  
Missing Treatment Plan Components\*

<u>Facility</u>	<u>Number of Treatment Plans</u>	<u>Records with Components Lacking</u>			<u>Treatment Activities</u>	<u>Participating Staff</u>
		<u>Problems</u>	<u>Short- Range Goals</u>	<u>Long- Range Goals</u>		
Bronx	45	-0-	-0-	-0-	-0-	-0-
Creedmoor	78	14	23	20	-0-	1
Kingsboro	28	2	8	10	6	7
Manhattan	10	1	6	4	4	4
South Beach	<u>47</u>	<u>3</u>	<u>23</u>	<u>25</u>	<u>17</u>	<u>17</u>
Totals	<u>208</u>	<u>20</u>	<u>60</u>	<u>59</u>	<u>27</u>	<u>29</u>
Percent	<u>100%</u>	<u>9.6%</u>	<u>28.8%</u>	<u>28.4%</u>	<u>13.0%</u>	<u>13.9%</u>

\*Based on review of a sampling of February 1978 billings.



## APPENDIX A

### Sequence of Events in Audit and Control's Attempt to Obtain OMH's Formal Reply to the Draft Report in Accordance with Chapter 218 of the Laws of 1977

<u>Date</u>	<u>Event</u>
February 8, 1979	Draft report issued.
March 9, 1979	Reply to draft report due in accordance with Laws of 1977.
March 30, 1979	Letter to Audit and Control from OMH requesting a meeting to clarify some statements and figures contained in the draft report.
April 16, 1979	Meeting between Audit and Control and OMH held in Albany. It was agreed that several wording changes in the report would clarify matters.
April 18, 1979	Audit and Control provided OMH with the wording changes to be made in the draft report. OMH was requested to reply to the draft by April 30, 1979, since the wording changes did not affect the recommendations.
April 30, 1979	OMH officials reported to Audit and Control, concerning Section C of the draft report, that they had reaudited the records at one Center and found variances with the findings. They requested that the audit, therefore, not be issued.
May 4 - 10, 1979	The records related to Section C of the draft report were reaudited by a joint OMH and Audit and Control team.
May 14, 1979	Revised report Section C was sent to OMH with a request for a reply to the draft by May 28, 1979 (the revision did not materially affect the finding and conclusions).

APPENDIX A  
(continued)

<u>Date</u>	<u>Event</u>
May 21, 1979	<p>OMH sent a letter to Audit and Control stating that they could not respond to the report as presently written. They contended that there were serious errors as to audit methodology, projection, accuracy and interpretation. OMH asked for another meeting to discuss the reasons they felt the audit should either be redone or not issued.</p> <p>(Auditor's Note: Similar arguments had never been raised with the NYCDSS, which refused to pay more than \$7.5 million of bills rendered by OMH.)</p>
May 24, 1979	<p>Audit and Control responded to the OMH letter of May 21, that the audit methodology, projections, etc. were discussed previously and it was our contention that the report is accurate. We therefore again asked for a reply by May 28, 1979.</p>
June 1, 1979	<p>OMH officials stated that they expected an official reply to be released by June 4, 1979.</p>
June 4, 1979	<p>OMH officials stated that they were meeting on June 5, 1979 to discuss the reply.</p>
June 5, 1979	<p>OMH officials stated that the reply was being rewritten and we should not expect it for at least a week. They were informed that we would finalize the report.</p>
June 12, 1979	<p>OMH sent a letter to Audit and Control again stating that they could not reply to the draft report. Their reasons included alleged inaccuracies in the draft report, and their ongoing negotiations with NYCDSS regarding the audit criteria. We notified OMH officials that although we would reply to their letter, we believe the data presented in this report is essentially accurate. OMH has had adequate opportunity to review it, and where necessary adjustments have been made. These adjustments, however, have not been sufficient to alter the overall conclusions. Accordingly, the report is being issued without their official reply.</p>

NEW YORK STATE  
DEPARTMENT OF SOCIAL SERVICES  
16 NORTH PEARL STREET, ALBANY, NEW YORK 12243  
BARBARA B. BLUM  
COMMUNIST



April 4, 1979

Mr. Arthur N. Gordon  
Metropolitan Area Office  
Department of Audit & Control  
270 Broadway  
New York, NY 10007

Dear Mr. Gordon:

Re: Your Draft Report on Treatment Records  
Documenting Medical Billings at the  
Office of Mental Health Outpatient  
Facilities in New York City  
(NY-ST-5-79)

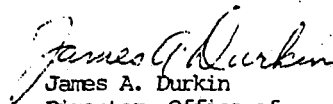
We have reviewed your report and we fully agree with its conclusions.

The audit report expresses quite clearly that the Office of Mental Health (OMH) has neglected to assure that the bills submitted to the NYC Human Resources Administration for payment are being properly documented.

Since all the recommendations are addressed to OMH, we will refrain from making any additional comments at this time until OMH responds to the report. We trust that OMH has already taken adequate steps to correct the shortcomings disclosed by your auditors.

We wish to thank you for sharing this report with us.

Sincerely,

  
James A. Durkin  
Director, Office of  
Audit & Quality Control

**END**